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SUBJECT: Wisconsin Rural Development Guaranteed Rural Housing (GRH) Update

TO: Approved GRH Lenders and Originators

Following is important information regarding the funding status and program delivery of Wisconsin's GRH loan program. Please distribute this information to all of your branch offices, correspondent banks, or mortgage originators that originate GRH loans in Wisconsin.

GRH FUNDING

The utilization of GRH funds continues to be ahead of last year's pace both locally and nationally. Currently, Wisconsin has obligated over \$32.5 million with another \$5.2 million in reserved status. Ample funding for the GRH loan program will be available throughout the remainder of this fiscal year based on our National allocation of over \$3.1 billion. Lenders are encouraged to submit requests for pre-approvals for their applicants who have not yet entered into a purchase contract.

AMPLE DIRECT 502 & 504 FUNDS AVAILABLE

Our Local Offices have ample funding available for assisting low-income (under 80% of median) households that do not qualify for GRH financing. The Direct 502 loan program allows an applicant to obtain subsidized financing directly from Rural Development to purchase a new or existing home. Loan funds can also be used for essential home repairs for current homeowners that are considered low income. The Direct 504 loan program is available to assist very low income (under 60% median) homeowners with essential home repairs. The repayment terms are very generous at 1% interest rate with up to a 20 year term. Lenders are encouraged to refer qualified low and very low income applicants to the Local Office that serves their area. Please refer to the attachment for a list of Local Offices in Wisconsin including an updated service area map.

UNDERWRITING SELF-EMPLOYED APPLICANTS

Attached is RD AN 3727 dated March 21, 2002 that describes the type of analysis and documentation required to properly underwrite self-employed applicants. These guidelines are very similar to that required by Fannie Mae and Freddie Mac. Rural Development requires two years signed individual Federal income tax returns, YTD income and expense information, and an income analysis worksheet completed by the underwriter. We have attached FNMA Form 1084 "Cash Flow Analysis" and FNMA Form 1088 "Comparative Income Analysis" as examples of the type of analysis required by RD AN 3727. Lenders may use other formats that provide a similar analysis of the applicant's self-employment earnings.

If you have any questions regarding this memo, call (715) 345-7620 for Paul Bartlett at Ext. 114 or Sue Kohnen at Ext. 115.

/s/

PETER G. KOHNEN

Rural Housing Program Director

PGK: pjb

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